

UNEMPLOYMENT INSURANCE CONTRIBUTIONS TAX RATES FOR YEAR 2004

WAGE BASE – For tax year 2004, employers pay unemployment taxes on the first \$12,000 of each employee's earnings. Prior to 2000, the taxable wage base is \$7,000.

Experience rating system and tax rates – Employers' contribution rates for 2004 vary from 0.44% to 5.40%. Each employer's rate is determined under the Department of Labor (DOL) "experience rating" system. DOL keeps track, over the years, of the amount of taxes paid by an employer and the amount of benefits charged against their account.

Technical explanation of tax rates – Each year, DOL computes the "reserve ratio" for each employer, and this amount determines the applicable line of the tax rate chart for that employer. The "reserve ratio" is computed as:

$$[\text{Contributions paid} - \text{Benefit Charges}] \div \text{Average Taxable Payroll for the last 3 years}$$

All employers are then "arrayed" into a list in descending order by their "reserve ratios." Employers with the least use of the unemployment pro-

gram are at the top of the list, and those with the most use are at the bottom. The employers are then divided into 20 categories, with approximately the same amount of taxable wages in each category.

These 20 categories each have an "experience factor" that is the proportion of the average contribution rate that is payable by employers in that category.

The "planned yield" is set in law at 0.60%. This establishes the revenue for rate year 2004 as 0.60% of the total wages projected to be paid by Maine employers that year.

The "predetermined factor" is then computed. It is the average contribution rate needed to generate the amount of revenue equal to 0.6% of projected total wages. (This step is necessary because only the first \$12,000 of each employee's wages is subject to unemployment contributions.)

The contribution rates for the 20 categories are computed by multiplying the "predetermined factor" by the "contribution yield" for each category. The lowest rate for 2004 is 0.44% and the highest is 5.40%

EMPLOYER'S 2004 CONTRIBUTION RATE IN PERCENT OF WAGES

Contribution Category Column A	% of Taxable Payrolls From Column B	Phase-in Experience To Column C	Predetermined Factors 2004	Contribution Yield	Rate
1	00.00%	05.00%	0.30	1.45%	0.44%
2	05.01	10.00	0.35	1.45	0.51
3	10.01	15.00	0.40	1.45	0.58
4	15.01	20.00	0.45	1.45	0.65
5	20.01	25.00	0.50	1.45	0.73
6	25.01	30.00	0.55	1.45	0.80
7	30.01	35.00	0.60	1.45	0.87
8	35.01	40.00	0.65	1.45	0.94
9	40.01	45.00	0.70	1.45	1.02
10	45.01	50.00	0.75	1.45	1.09
11	50.01	55.00	0.80	1.45	1.16
12	55.01	60.00	0.90	1.45	1.31
13	60.01	65.00	1.00	1.45	1.45
14	65.01	70.00	1.10	1.45	1.60
15	70.01	75.00	1.25	1.45	1.81
16	75.01	80.00	1.40	1.45	2.03
17	80.01	85.00	1.60	1.45	2.32
18	85.01	90.00	1.90	1.45	2.76
19	90.01	95.00	2.20	1.45	3.19
20*	95.01	100.00	2.60	1.45	5.40

*Contribution category 20 cannot have a rate less than 5.4%.

New Employer Rate for 2004 = 1.45% Planned yield is .60% again for rate year 2004

GENERAL INSTRUCTIONS

Note: A combined return must be filed each quarter, even if you had no income tax withheld or unemployment contributions for that period. Each page submitted must have your Withholding Account Number and your Unemployment Account Number clearly printed at or near the top of the page. Do not write notes on wage listing pages.

The combined Maine Revenue Services and Department of Labor form (Form 941/C1-ME) is used to report total income tax withheld for the quarter, to reconcile 900ME voucher payments made during the quarter, to calculate your unemployment insurance contributions for the quarter and

to report your employee wage listing for the quarter. **You are now required to record income tax withheld for each employee.**

Each return in this booklet is preprinted with your Withholding Account Number, Unemployment Contributions Employer Account Number, business name(s), period covered and due date. Returns must be completed and filed with Maine Revenue Services on or before the preprinted due date.

When a business terminates or the payment of wages permanently ceases, complete the Cancellation Notice on page 1 of the quarterly return.

GENERAL INSTRUCTIONS, continued

If there is a change in business name, address or phone number, complete the Name and Address Change Form 941/C1C-ME on page 3. We will correct our records and, if necessary, provide new payment vouchers and Forms 941/C1-ME. **Do not make changes on Form 941/C1-ME.** If your Federal Employer Identification Number (Maine Withholding Account Number) changes, call the Central Registration Unit at 207-287-2338.

If you have any questions regarding unemployment insurance status, determination or general unemployment insurance information, call the Department of Labor at 207-287-3176. Any other questions regarding this form or income tax in general should be directed to Maine Revenue Services at 207-626-8475.

Interest and Penalties. Interest is charged at an annual rate of 7%, compounded monthly, on the unpaid withholding or unemployment tax. The

penalty for failure to pay either the withholding or unemployment tax on time is 1% per month up to a maximum of 25%. The penalty for failure to file the return on time is 10% of the tax liability or \$25.00 for each tax, whichever is greater. If the return is filed more than 30 days after demand, the penalty is 100% of the income tax withholding due.

Do not staple or tape forms together. Paper clip all unemployment wage listing pages to the back of the combined withholding/unemployment tax return. Do not mail photocopies of the forms in this book to Maine Revenue Services. Photocopied forms cannot be processed by Maine Revenue Services' scanning system. If you need additional wage listing pages, visit the Maine Revenue Services Web site at www.maine.gov/revenue, call 207-624-7894 or write: Maine Revenue Services, P.O. Box 9100, Augusta, ME 04332-9100.

SPECIFIC INSTRUCTIONS

Note: The forms in this book are designed to comply with optical scanning requirements. The spaces outlined in red must be completed carefully in black or blue ink. Letters and numbers must be entered legibly within the outline area. Letters must appear in upper case only and start on the left; numbers start from the right. For example:

Name

C	O	M	P	A	N	Y	I	N	C		
---	---	---	---	---	---	---	---	---	---	--	--

Address

1	2	3		F	I	R	S	T		S	T
---	---	---	--	---	---	---	---	---	--	---	---

Maine income tax withheld

		1	2		3	4	5	.	0	0
--	--	---	---	--	---	---	---	---	---	---

Use the extra tax form in this booklet if you make an error on your quarterly tax return.

Part One Calculate the Income Tax Withholding

Line 1. Enter on line 1 the amount of Maine income tax withheld during the period covered. If you are required to make payment of income tax withholding semi-weekly, complete the reconciliation schedule on page 2 of the return and enter the total amount withheld from line 12 on this line.

Line 2. If you are required to make payment of income tax withholding semi-weekly, complete Schedule 1 (Reconciliation of 900ME Voucher Payments or EFT Payments) on page 2 of the combined form. Enter on this line the total amount remitted shown on line 13. For additional information about who is required to make semi-weekly payments of income tax withholding, see specific instructions for Schedule 1 on page 8.

Line 3. Enter the total Maine income tax withholding due with this return (line 1 minus line 2).

Part Two Calculate the Unemployment Contributions

If you are reporting your employee wage and withholding listing by magnetic tape or diskette, check the box in Part Two.

Line 4. Enter in the space under each month the total of all full-time and part-time workers who worked during, or received pay reportable for unemployment insurance purposes for the payroll period which includes the 12th of each month. If you had no employment in the payroll period, enter zero (0).

Line 5. Enter the number of female employees reportable for unemployment purposes included in the totals on line 4. Failure to complete lines 4 and 5 will result in additional paperwork for you to complete.

Line 6. Complete Part Four (see instructions on page 8). Enter on this line the total gross reportable wages paid this quarter. This amount should equal Part Four, line 19a. If there are no wages, enter zero (\$0.00). An amount for wages or zero (\$0.00) must be entered on this line. If zero, do not complete Part Four (unemployment wage listing) of the combined report.

Line 7. Enter the sum of the amount of each individual's wages paid in this quarter which is in excess of \$12,000 for the year. For example, the wages of an employee paid \$5,000.00 in each quarter would be reported as follows (this is an example):

	Total	Excess	Taxable
1st Quarter	\$5000.00	\$.00	\$5000.00
2nd Quarter	5000.00	.00	5000.00
3rd Quarter	5000.00	3000.00	2000.00
4th Quarter	5000.00	5000.00	.00

Line 8. Subtract the excess wages on line 7 from the total gross reportable wages on line 6. Enter the difference here. **Note: Excess wages cannot be greater than total reportable wages.**

Line 9. This is your employer contribution rate. Your rate is preprinted to the right of this line. If you have been notified that this rate is incorrect, enter the correct rate in the boxes provided.

Line 10. Calculate the total unemployment contributions due this quarter by multiplying the taxable wages paid on line 8 by the total rate on line 9. Enter the result here.

DIRECT REIMBURSEMENT EMPLOYERS MUST COMPLETE EVERY LINE OF THE RETURN.

Part Three

Calculate the Total Amount Due

Line 11. Enter the total income tax withholding and unemployment contributions due with this return (line 3 plus line 10). If any portion of the balance due is not paid by the due date, interest and penalties will be charged on the unpaid balance. Additional penalties will be assessed if the return is not filed on time.

Schedule 1 Instructions

Reconciliation of 900ME Payments or EFT Payments of Income Tax Withholding

Employers who reported Maine income tax withholding of less than \$18,000 for the 12 months ending June 30, 2002 will make the withholding payments with the quarterly combined income tax withholding/unemployment contributions return (Form 941/C1-ME).

Employers required to make semi-weekly payments. Employers who reported Maine income tax withholding of \$18,000 or more for the 12 months ending June 30, 2002 are required to make **semi-weekly** payments of income tax withholding using the following schedule:

<u>Day Wages Paid</u>	<u>Remittance Due</u>
Wednesday, Thursday, Friday	On or before the following Wednesday
Saturday, Sunday, Monday, Tuesday	On or before the following Friday

If you are required to make payment of income tax withholding on a semi-weekly basis, complete Schedule 1. Complete one row of the schedule for each payroll during the quarter. See page 3 of this booklet to find your withholding tax remittance frequency. Your required remittance frequency will either be semi-weekly or quarterly. Semi-weekly payments may be made either by voucher (Form 900ME) or Electronic Funds Transfer.

Line 12. Enter the total amount withheld this quarter. Enter the amount on this line and on line 1 of Part 1.

Line 13. Enter the total amount of withholding paid this quarter here and on line 2 of Part One.

Part Four

Unemployment Compensation Wage and Income Tax Withholding Listing

Do not complete Part Four if you paid no reportable wages during the quarter. Complete all information for each listing page submitted.

The names and social security numbers of your employees may have been pre-printed on your wage listing for each quarter. If pre-printed, they are pre-printed in the order of employee social security numbers for your convenience. We have made every effort to assure that the names and social security numbers are correct. If you detect an error, cross out the incorrect information and print or type the correct information directly above the misprint. If you do not wish to use the pre-printed forms, or if you need additional forms, you can order blank forms by calling 207-624-7894. If the Dept. of Labor has determined you are a seasonal employer, Part 2 will list your seasonal period. Non-seasonal and seasonal wages must be separated and reported on two separate lines.

Column 14. Enter each employee's last name, first name, and middle initial. The name of employees with both non-seasonal and seasonal wages on two separate lines.

Column 15. Type or print each employee's social security number. The social security number of employees with both non-seasonal and seasonal wages on two separate lines.

Column 16. Enter the Unemployment Compensation Gross wages paid during the quarter covered by this report. Non-seasonal wages are wages for services performed for a non-seasonal industry or for services performed before or after the designated seasonal period for a seasonal industry. **To report non-seasonal wages, do not check the box marked "seasonal."** Seasonal wages are wages for services performed during the seasonal period for a designated seasonal industry. **To report seasonal wages, check the box marked "seasonal." Do not report partners' or sole proprietor's wages or wages paid by a sole proprietor to a spouse, parent, or child under age 18.** If an employee's wages are greater than 999,999.99, enter the wages on two or more lines to add up to the total reportable wages for the employee.

Column 17. Enter the income tax withheld during the quarter for the employee listed in column 14. Also include filers reporting backup withholding, pension withholding, distribution withholding, etc.

Line 18a. Enter the total Unemployment Compensation Gross wages for employees listed on this page.

Line 18b. Enter the total income tax withheld for employees listed on this page.

Line 19a. Enter the total Unemployment Compensation Gross wages for all pages on this line (last wage and withholding listing page only) and on line 6.

Line 19b. Enter the total income tax withheld for all pages on this line (last wage and withholding listing page only) and on line 12 (or line 1, if not completing Schedule 1).

AMENDED RETURN

If you have made an error on a previously filed return, you must file an amended return to correct the error. The amended returns are located in this booklet, immediately following the additional quarterly return. Two separate returns are available: one for income tax withholding, and one for unemployment contributions. Instructions for completing these forms are located on the back of each form.

Additional forms are available at www.maine.gov/revenue or by calling 207-624-7894.